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SUBJECT: RUSSIA: PUTIN SIGNS NUCLEAR SECTOR DECREE

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11. (SBU) SUMMARY. On April 27 President Putin signed a decree that splits the Russian nuclear industry into three parts: a) civilian, for-profit; b) military; and c) waste management. The decree is the first practical step in effecting massive changes in the structure, management, and forms of ownership of practically all nuclear industry enterprises in Russia. It lays the groundwork for creation of the Atomenergoprom civilian nuclear monopoly and, more importantly, identifies those entities that will be included in Atomenergoprom and those that will not. END SUMMARY

AEK (aka ATOMENERGOPROM) -- CIVILIAN, FOR PROFIT

12. (SBU) On April 27 President Putin signed a decree "On Restructuring the Nuclear and Energy Industry Complex of the Russian Federation." This decree splits the Russian nuclear industry into three parts: civilian, for-profit; military; and waste management. The decree follows from nuclear sector legislation enacted by the Duma earlier this year (refs A and B) and is the first practical step in effecting massive changes throughout Russia's nuclear industry.

13. (SBU) In accordance with the decree, the Open Joint Stock Company Atomniy Energopromishlennii Kompleks (AEK) will be created with headquarters in Moscow. AEK, popularly known as Atomenergoprom, will bring together the following enterprises:

-- All enterprises involved in the fuel cycle from uranium ore exploration up through fuel assembly production (i.e., those enterprises that previously reported to TVEL);

-- All uranium enrichment facilities;

-- All nuclear power plants;

-- Some machine building factories; and

-- Design, scientific, and infrastructural institutes and firms (including TENEX) working on peaceful uses on nuclear energy

In all AEK will consist of 86 sub-entities that make up the civilian sector of Russia's reorganized nuclear industry. Although some of these entities are involved in R&D, the primary focus is on profit.

14. (SBU) One hundred percent of AEK shares will belong to the State. Those AEK sub-entities that formerly were federal unitary enterprises are converted into joint stock companies. The Russian

Government will convert all property (including nuclear materials) belonging to these sub-enterprises into ??? charter capital.

15. (SBU) The decree specifies that AEK's priorities are:

- The design, construction, operation, and decommissioning of nuclear installations and nuclear power plants;
- R&D on peaceful uses of nuclear energy;
- Prospecting for and extraction of uranium ore and ore containing nuclear materials;
- Uranium enrichment;
- Fuel assembly production and export;
- Uranium import and export, enrichment services, and other products and services connected with the use of nuclear energy.

MILITARY

16. (SBU) In addition to creating AEK, the decree identifies those enterprises that will NOT be included in AEK. First among these are 15 enterprises serving the needs of Russia's military nuclear complex. This list includes all warhead production facilities, Mayak, the All-Russian Scientific Research Institute for Experimental Physics (VNIIEF) in Sarov, the All-Russian Scientific Research Institute for Technical Physics (VNIITF) in Snezhinsk, the test site at Novaya Zemlya, and other R&D institutes.

17. (SBU) The military nuclear facilities will remain state owned and

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will continue to report directly to Rosatom as in the past.

SNF STORAGE AND WASTE MANAGEMENT

18. (SBU) Those facilities concerned with the storage of spent nuclear fuel (e.g. the Mining Chemical Combine in Zheleznogorsk) and radioactive waste management (e.g., Dal RAO in Murmansk oblast' and Sev Rao in the Far East) also will not be included in AEK. Moreover, they were not covered by the presidential decree.

19. (SBU) Sergey Mostinskiy, adviser to Deputy Rosatom Head Andrey Malyshev, explained to us that these enterprises will be included in the soon to be established Federal Center for Nuclear and Radiation Safety, which will be created by internal Rosatom executive order. This Center will receive its funding directly from the state budget.

OWNERSHIP

110. (SBU) Significantly, the presidential decree also establishes for the first time that legal entities have the right to own nuclear materials (with the exception of weapons grade materials and actinides). The decree provides a list of the entities that will have this right, from which we see that they are in fact those same entities that possess nuclear materials today.

COMMENT

111. (SBU) The presidential decree was announced one day after President Putin made his annual address to the Federal Assembly in which he said, "I propose setting up a corporation to integrate nuclear power enterprises operating on domestic and foreign markets." The decree sets in motion the reorganization expected since the Duma passed nuclear sector legislation earlier this year.

We are already hearing hints of dramatic personnel shifts at Rosatom and elsewhere.

BURNS